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Implementation of the outcome of the United Nations Conference on Human Settlements (Habitat II) and strengthening of the United Nations Human Settlements Programme (UN-Habitat)

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Report of the Secretary-General

Summary

The present report provides an overview of outcomes and results of the substantive issues addressed by General Assembly resolution 62/198. These have been clustered under the following major headings:

(a) Deepening the understanding of the impact of rapid urbanization;

(b) Implementation of the medium-term strategic and institutional plan for 2008-2013, including its enhanced normative and operational framework for country-level activities and excellence in management;

(c) Strengthening the catalytic and pre-investment role of the United Nations Human Settlements Programme;

(d) Strengthening the role and contribution of local authorities in attaining the internationally agreed development goals, including the Millennium Development Goals;

(e) Contributing to more effective post-disaster and post-crisis relief, recovery and reconstruction;

(f) Financial and budgetary matters;

(g) Recommendations.

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I. Introduction

1. The present report is submitted pursuant to paragraph 24 of General Assembly resolution 62/198, entitled "Implementation of the outcome of the United Nations Conference on Human Settlements (Habitat II) and the strengthening of the United Nations Human Settlements Programme (UN-Habitat)".

II. Deepening the understanding of the impact of rapid urbanization

2. The twin goals of the Habitat Agenda of "shelter for all" and "sustainable human settlements development in an urbanizing world" took on added significance in the course of 2008. The rapid rise in food and energy prices, the growing awareness of the consequences of climate change, the financial crisis associated with the collapse of the sub-prime mortgage market, and the devastating earthquakes, typhoon and flooding in a number of countries underscored the increasing importance of the human settlements dimension of sustainable development.

A. Fuel and energy crisis

3. Rapid urbanization is one of the contributing factors to the rise in food and fuel prices that marked 2008. The combined impact of rapid urbanization and globalization brings about irreversible changes in production and consumption patterns. These changes include the way we use land, water and energy, which are also required for the production and transportation of food.

4. This is particularly the case with poorly planned urban growth, which characterizes much of the urbanization process across the globe. While in developed countries, countries with economies in transition and parts of Latin America, urbanization no longer represents a demographic shift from rural to urban areas, it does involve, in many instances, urban sprawl, which not only competes with agriculture for land and water, but also greatly increases travel for people and goods and is thus very energy-intensive.

5. In most of the rest of the developing regions, which account for more than 80 per cent of global urban growth, urbanization involves a combination of urban sprawl and the proliferation of slums, both of which tend to encroach on agricultural land, forests and watersheds.

6. The urban poor, comprising about 1.2 billion slum dwellers, are among the most exposed victims of the current rising food and energy prices. In the immediate and short term, measures need to be put in place to assist the urban poor in the slums to access sufficient food. Effective targeting methodologies based and supervised by communities need to be devised within the framework of good urban governance strategies. Any long-term strategy to reducing the pressure on food prices will also need to encompass more effective strategies to promote sustainable urbanization.

B. Rising urban inequalities

7. The inflationary pressures of rising fuel and food costs have sparked social unrest and political protests in all regions. In the last few months, food riots and high fuel costs have affected major cities and countries across the globe.

8. Studies conducted by UN-Habitat in 2007-2008 showed that levels of inequality in cities were rising across the globe before the recent fuel and food crisis. In the high-growth economies of East Asia, urban income inequalities have risen steadily since the late 1980s. Urban inequalities have also been witnessed in low-income countries such as Nepal and Bangladesh. At the regional level, sub-Saharan Africa and Latin America have the world's highest levels of income and consumption inequality. These inequalities manifest themselves most starkly in cities where the poor rely on monetary means to access basic needs and services including food and water.

9. For low-income households in urban areas, food has always represented a major portion of household expenditures. Food insecurity and inflation in urban areas will undoubtedly worsen in the foreseeable future as the urban poor face the prospect of using a disproportionate percentage of their disposable income for food and transport, leaving little money for non-food items such as schooling, health and rent.

10. The consequences of prolonged inflation and high costs of fuel and food will cause more people living in urban areas to fall into the income poverty trap. This will have a dampening effect on overall economic growth. To avoid social unrest, many governments will increase public expenditure on food security at the expense of other social services. This will engender a vicious cycle of underinvestment in infrastructure, health, education and other services, which, in turn, will exacerbate poverty and inequality and pose new challenges for the attainment of the Millennium Development Goals.

C. Cities and climate change

11. With just half of the global population living in urban areas, cities are already consuming 75 per cent of the world's energy and are contributing to a similar proportion of all wastes, including greenhouse gas emissions. As urbanization and globalization continue apace, cities will become the front line actors in the carbon emissions and climate change arenas. UN-Habitat analysis shows that levels of urbanization and city size are not the key determinants of quantity of greenhouse gas emissions; rather, consumption patterns and lifestyles with regard to land-use and urban sprawl play a much more critical role.

12. Rational land use planning, green building codes and energy-efficient transport options have proven to date to be among the most effective measures that can be taken to reduce energy consumption and emissions. These measures, together with waste recycling practices, are among the most promising in terms of reducing the ecological footprint of cities and entire city regions.

13. Mitigation measures envisaged at the global and national levels have yet to be accompanied by concerted measures at the city and local levels. Immediate actions need to be taken to make cities more sustainable by revisiting land-use plans,

transport modalities, and building designs. There is a unique opportunity to bridge global efforts in emissions control with local efforts to improve the quality of life and the productivity of cities. Cities are, after all, the driving force of the economies, and what better measures can be taken than to reduce traffic congestion, improve air and water quality, and generally, reduce the ecological footprint.

14. Adaptation measures to reduce vulnerability have yet to recognize the need to plan the cities and settlements to prevent loss and destruction of lives and properties. Cities have to take preventive action and planning to offset the worst. Climate change issues have to be considered in urban planning, and planning capacities have to be strengthened.

15. There is no doubt that local authorities will be the front line actors in finding local answers to these global challenges. There are no one-size-fits-all solutions and each local authority will have to assess its own risks and vulnerability and plan accordingly, whether in coping with rising sea levels, cyclones, droughts, flooding and environmental refugees, in addition to already existing problems.

16. The issues related to sustainable urbanization were debated and highlighted at the regional level in a series of high-level ministerial meetings on housing and urban development, in Africa, Asia, Latin America and the Caribbean. A special meeting, held in 2008 in Bahrain, for West Asian countries was also organized in preparation for the high-level segment of Economic and Social Council with the theme of sustainable urbanization.

17. A key outcome of the regional meetings was a call for the Economic and Social Council to include an urban pillar as a cross-cutting issue to deal with spatial and physical dimensions of sustainable development.

III. Implementation of the medium-term strategic and institutional plan

18. The year 2008 marked the kick-start phase of the implementation of the medium-term strategic and institutional plan for 2008-2013 approved by the Governing Council of UN-Habitat at its twenty-first session in 2007. An action plan for implementation was subsequently endorsed by the subsidiary body of the Governing Council — the Committee of Permanent Representatives — in December 2008.

19. The plan is guided by a long-term vision of sustainable urbanization and a medium-term goal to help Member States put into place by 2013 the necessary policies, strategies and conditions to stabilize the growth of slums, and to subsequently reduce the number of slum dwellers. This ambitious goal, which is necessary to attain the human settlements-related Millennium Development Goals, is backed by a sharpened thematic focus and a partnership strategy designed to enable UN-Habitat to fulfil a robust catalytic and pre-investment role.

20. The anticipated outcomes of the start-up phase for 2008 include:

(a) A revised and updated set of substantive policies and strategies spearheaded by a global campaign on sustainable development, designed to enhance programme focus and alignment and client orientation;

(b) An enhanced normative and operational framework to provide a set of value-added policy and operational support services to Member States in attaining the human settlements-related Millennium Development Goals;

(c) A series of institutional reforms designed to set the stage for the progressive realization of excellence in management.

A. Policies and strategies

21. The new policy and strategy documents are spearheaded by a global campaign for sustainable urbanization. This campaign merges two previous campaigns on secure tenure and urban governance and addresses the adaptation and mitigation challenges of climate change.

22. The campaign is conceived as an advocacy tool to help UN-Habitat achieve the following objectives:

(a) Raise awareness of the need to include the urbanization and urban poverty agendas in national development plans and priorities;

(b) Disseminate a coherent and mutually reinforcing set of policy recommendations to Member States in support of socially inclusive and environmentally sound human settlements development.

B. Enhanced normative and operational framework

23. The global campaign for sustainable urbanization is accompanied by an enhanced normative and operational framework. This framework combines policy recommendations and tools emanating from the global campaign for sustainable urbanization with value-added services to support the efforts of Member States, United Nations country teams and the United Nations Development Assistance Framework (UNDAF) in attaining the human settlements-related Millennium Development Goals. The framework pools the expertise of UN-Habitat and its partners in policy and institutional reform, capacity-building, resource mobilization and project management in the key areas of housing and land, infrastructure and services, urban planning, management and governance, and human settlements finance.

24. A key instrument for applying the enhanced normative and operational framework at the country level is the Habitat country programme document. To date, country programme documents have been developed in consultation with national Governments and United Nations country teams in 30 countries in 2008.

25. Special attention was paid to the preparation of country programme documents as part of the "Delivering as One" pilots. These documents enabled the Governments concerned working together with United Nations country teams in their respective countries to mainstream human settlements and urban poverty issues in the UNDAF process and in national development plans.

C. Excellence in management

26. The implementation of the medium-term strategic and institutional plan as an effective instrument to support the efforts of Member States in attaining the human settlements-related Millennium Development Goals also requires the pursuit of management excellence. Implementation follows a phased approach involving a one-year kick-start phase for 2008, followed by a two-year roll-out phase for 2009-2010 and by a three-year scaling-up phase for 2011-2013. The year 2008 was devoted to putting in place the internal policies, strategies and instruments that will serve as the basis for the attainment of excellence in management.

27. The key elements of the kick-start phase include:

(a) Reviewing business practices to improve efficiency;

(b) Aligning recruitment with the focus areas of the medium-term strategic and institutional plan;

(c) Delegation of authority and accountability to improve effectiveness and transparency;

(d) Results-based management and knowledge management;

(e) Resource mobilization with a view to expanding the donor base.

28. Progress in the implementation of the action plan is reported regularly to the Committee of Permanent Representatives, the subsidiary body of the Governing Council. The action plan foresees a peer review process and an independent evaluation in early 2009.

D. Lessons learned

29. The implementation of the medium-term strategic and institutional plan coincides with emergence of new challenges in social and economic development and sustainable development. It is informed and shaped by global trends and issues, but remains firmly anchored in UN-Habitat's unique experience and expertise in working together with the public, private and civil society sectors at the city and community levels. While the plan is guided by and contributes to ongoing United Nations reform, it goes beyond the strict confines of results-based management. It attempts to link the work of the organization with higher order issues and outcomes in the areas of social equity, equality and justice. Under these circumstances, compliance with short-term standards and exigencies of system-wide performance is a constant challenge. This challenge needs to be recognized in allowing a greater degree of flexibility and a margin of risk to enable any given organization to contribute to the long-term goals and objectives of sustainable development.

IV. Strengthening the catalytic and pre-investment role of the United Nations Human Settlements Programme

30. A key objective of the medium-term strategic and institutional plan is to strengthen the catalytic and pre-investment role of UN-Habitat. UN-Habitat analysis shows that small towns and secondary cities are among the fastest growing

settlements in rapidly urbanizing countries, and that these settlements are among the least equipped in terms of institutional capacity to meet the demands of rapid growth, especially in the areas of water and sanitation and slum upgrading and prevention.

31. These trends led UN-Habitat to develop a methodology and propose integrated approaches to slum upgrading and pro-poor water and sanitation. These approaches combine normative and operational activities that are conceived and packaged as pre-investment initiatives to identify and prepare bankable projects. The methodology consists of applying lessons learned from good practice in policy reform, participatory planning and resource mobilization that have provided tangible evidence of how pro-poor slum upgrading and basic services can be implemented in an economically viable manner.

32. The approaches fall into three categories:

(a) Working with international and regional financial institutions;

(b) Working with the private sector;

(c) Working with domestic financial institutions.

A. Working with international and regional financial institutions

33. In Africa, collaboration with the African Development Bank (AfDB) has been instrumental in facilitating investment flows into African cities for basic infrastructure and services. Joint activities and initiatives have, to date, generated over $250 million in pipeline investments. During the period 2007-2008, collaboration with AfDB was further strengthened with joint initiatives in a number of countries, including Kenya and Mali. Agreement was also reached to focus on additional countries in the AfDB loan portfolio for 2008, including Tanzania, Mozambique, Rwanda, Uganda and Zambia. The programme is now operational in 18 cities in 15 countries. UN-Habitat is also working with AfDB to fast-track lending programmes in Zanzibar, United Republic of Tanzania.

34. In Ethiopia, partnership with the World Bank will entail a scaling up of demonstration projects in the area of water and sanitation implemented by UN-Habitat in Addis Ababa. Follow-up investment is expected to reach $60 million, which will specifically target the urban poor.

35. A recent partnership with the East African Community has provided a framework of collaboration to expand the Lake Victoria Region Water and Sanitation Initiative in an additional 15 towns in 5 countries, in partnership with AfDB. An investment proposal has been submitted to AfDB to provide access to safe drinking water for an estimated 133,000 persons and improved sanitation to about 15,000 persons. The interventions are at various stages of implementation and an in-depth impact assessment is programmed for the end of 2008.

36. In India, four cities of Madhya Pradesh have benefited from a $181 million loan from the Asian Development Bank (ADB) based on the catalytic role of UN-Habitat in supporting reforms in the water and sanitation sector, including policy directives and guidelines issued by the government of Madhya Pradesh on establishing gender-sensitive and community-based funding mechanisms.

37. In China, UN-Habitat forged a partnership with the city of Nanjing for a diagnostic study, which has become the basis for follow-up investment by ADB to improve the water and sanitation sector in the city.

38. In the Mekong River Basin, fast-track initiatives under the Mekong Region Water and Sanitation Initiative have set the stage for follow-up investments by ADB. Sector assessments and rapid situational analysis carried out by UN-Habitat have enabled Governments in the region to agree on priority settlements to benefit from a combination of external development assistance and national budgetary allocations for pro-poor water and sanitation.

39. In Asia, UN-Habitat is currently engaged in 47 towns and cities in five countries and is currently expanding its activities to Indonesia and Cambodia. The programme has provided a platform for policy dialogue and participatory planning involving all spheres of government and civil society. In Nepal, UN-Habitat was able to facilitate policy dialogue between civil society and government to bring about much needed changes in policy and institutional reform. As a result, the programme has directly benefited an estimated 440,000 people in terms of access to safe drinking water and improved sanitation.

40. In the Latin American and Caribbean region, UN-Habitat is forging a strategic partnership with the Inter-American Development Bank (IADB) to support the "Water for Cities" programme in the Latin American and Caribbean region. The programme started operations in Mexico and has received political support and financial contributions from the central Government for its first pilot project in the country. UN-Habitat, together with other United Nations agencies, also made a successful bid for the Spanish United Nations Millennium Development Goal Fund. The initiative is expected to generate up to $6.2 million for water projects in the country.

41. In Iraq, UN-Habitat has been partnering with the International Finance Corporation to study and address local constraints to housing supply in Iraq. This strategic partnership is looking at interventions in a number of related sectors such as construction and building materials and private sector real estate development to boost housing supply and avoid the future formation of slums.

42. In Albania, UN-Habitat implements a programme together with the Council of Europe Development Bank in order to strengthen municipal capacities for developing and managing the first social housing programme in decades. Some 1,100 social housing units will be financed under the new decentralized national framework.

B. Working with the private sector

43. A partnership agreement between UN-Habitat and Google.org was established in 2008. The purpose of the partnership, which is being piloted in Zanzibar, is to develop monitoring tools for water and sanitation and other utilities to be placed firmly in the public domain. This partnership will enable local authorities, water operators, other service providers and stakeholders to access geo-spatial information on service coverage and delivery with Google technological innovations, such as Google Earth. Technological innovation in this area is expected to greatly reduce the

cost and time involved in project identification and preparation for the provision of basic infrastructure and services.

C. Strengthening water operators

44. The ongoing water and sanitation sector reforms, particularly in developing countries, have provided opportunities for creating more efficient, customer-focused and autonomous water and sanitation utilities. However, water and sanitation utilities continue to face enormous challenges in meeting the ever increasing demands of growing populations. Fostering collaboration between water supply and sanitation utilities is a vital element in ensuring exchange of experiences between performing and non-performing utilities. The need for creating a mechanism for the collaboration of water utilities is highlighted in the "Hashimoto Action Plan", which was announced by the United Nations Secretary-General's Advisory Board on Water and Sanitation during the fourth session of the World Water Forum in Mexico.

45. One of the recommendations of the Action Plan is for the establishment of a mechanism to promote water operators partnerships. During the reporting year, important groundwork was laid in the establishment and operationalization of the Global Water Operators Partnerships Alliance, which was formally launched during the 2007 Stockholm World Water Week, and a framework for its governance and funding has been prepared. A programme manager for the Alliance is already on board, and recruitment of key staff for the Alliance secretariat, which is hosted by UN-Habitat, is ongoing.

D. Mobilizing domestic capital through innovative financing mechanism

46. The UN-Habitat Slum Upgrading Facility continued to field test innovative financing mechanisms in the four pilot countries of Ghana, Indonesia, Sri Lanka and the United Republic of Tanzania. The private sector, especially local commercial banks, is complementing the efforts of Governments and the urban poor communities of the four countries to design, prepare and implement "bankable" slum upgrading projects. In this regard, the Slum Upgrading Facility has helped to establish multi-stakeholder local finance facilities in three of the four pilot countries — Sri Lanka, Indonesia and Ghana.

47. The agreements between UN-Habitat and the local finance facilities have been finalized, and it is expected that the credit enhancements for pilot projects will become active in each of the three countries in late 2008. "Bankable" projects in each country have been identified, and extensive capacity-building work has been carried out to prepare local communities to reach a level where they can qualify for credit enhancements through the local finance facilities. The facilities will thus be able to use the credit enhancement funds to leverage commercial domestic finance and other funding support for the slum upgrading projects.

E. Experimental reimbursable seeding operations

48. While the above initiatives entail innovative financial arrangements and partnerships to leverage the resources of urban poor communities with those of international and domestic capital, they remain grant-based operations and remain, to a large extent, subject to project cycles rather than investment programmes.

49. The Governing Council of UN-Habitat, in approving experimental reimbursable seeding operations, opens a new window of possibilities and opportunities to apply innovative financial instruments to the financing of housing for low-income groups on a more sustainable basis.

50. Further to the outcome of an expert group meeting of international housing finance experts held in April 2008, UN-Habitat and the Committee of Permanent Representatives approved a set of operational procedures for engaging in experimental reimbursable seeding operations activities. These procedures will now be used by a steering and monitoring committee to select from a range of pilot projects for leveraging seed capital with domestic capital to finance pro-poor housing and urban development. The first meeting of the steering and monitoring committee will take place in September 2008.

F. Public/private partnership for low-income housing finance

51. In a parallel approach, a micro-mortgage financing initiative for low-income housing in developing countries starting in Latin American cities has been launched in partnership with UN-Habitat, the Global Housing Foundation and Merrill Lynch. The objective of the partnership is to offer the working poor segment of the world's 1 billion slum dwellers an opportunity to own a home that can be financed on a long-term basis through micro-mortgage instruments and, in the process, help develop or revive the local economy.

52. Working with UN-Habitat, local governments and other partners, the Global Housing Foundation will attempt to source suitable construction locations in each of the target communities. The Foundation will then identify and pre-screen qualified local developers and local lending institutions in each community. Partner local banks and lending institutions will make loans to finance low-income housing (within the range of $5,000 to $18,000). Following an appropriate agreed seasoning period and appropriate due diligence, Merrill Lynch will purchase a majority stake in these pools of performing loans, at fair market value, and will then use its global distribution platform to syndicate that risk into the market. UN-Habitat, within its mandate on Experimental Reimbursable Seeding Operations, mobilizes grant resources to provide credit guarantees on the portfolios on a 1 to 4 ratio to kick-start the process. It is envisioned that a $50 million guarantee loan to the Foundation will facilitate up to $200 million of financing by Merrill Lynch.

53. Local developers build the homes on an agreed profit basis and local banks provide the loans. The local banks qualify the home purchasers, originate the micro-mortgage and service the loan even after it is sold. Most of the local banks that originate the loans also provide the developer with the construction financing for the development. Once the originating bank pools $1 million of loans and seasons them for one year, they are eligible to participate in the Merrill Lynch financing programme. The homes are designed to meet a minimum standard for housing in

each locality and contain a bathroom, kitchen, individual rooms, clean running water, a septic system and electricity. Families currently living in slum areas will be selected on the basis of their qualifications to repay the micro-mortgage. Priority will be given to women-headed households. Those getting the mortgages can be teachers, nurses, taxi drivers or others who until now have not had a source of long-term financing to purchase a basic house and rise out of the slums. The initiative is focused on this segment of the slum dwellers, those who live in overcrowded temporary shelters and lack security of tenure, safe drinking water and adequate sanitation.

54. The initiative is expected to revitalize the local economy involving the construction of houses, creating local jobs, producing building materials and the circulation of money with the local banks. It is hoped that the initiative will become the premier global programme that transforms the lives of slum dwellers into proud homeowners. Work has already started in Nicaragua, Panama and El Salvador. It is hoped that about 1,000 homes will be completed by the end of the year.

55. UN-Habitat and the Global Housing Foundation will execute the initiative in close cooperation with the communities, local authorities and the Government ministries in the provision of land and infrastructure at an affordable cost. The initiative includes community development work and financial literacy for the selected families. It will be governed by and operate on the basis of respect for private property rights, the creation of secure lending practices, and, wherever possible, the promotion of gender equality and the empowerment of women by requiring title to the homes to be in the woman's name. It is a finance plus programme, with the promoters (Global Housing Foundation and UN-Habitat) closely building the capacity and financial literacy of borrowers to minimize, if not to avoid, default.

V. Strengthening the role and contribution of local authorities to attain the internationally agreed development goals

A. Guidelines on decentralization

56. In its resolution 21/3, the Governing Council approved the guidelines on decentralization. In doing so, it reiterated the critical importance of local authorities in implementing the Habitat Agenda and the human settlements-related internationally agreed development goals. The Governing Council also identified a number of key steps that need to be taken by UN-Habitat, Governments and partners such as United Cities and Local Governments, for ensuring effective adaptation and application of the guidelines for strengthening local governments.

57. Approval of the guidelines by the inter-governmental body represented a major milestone in the dialogue on decentralization that had been pursued for almost a decade. Not only did it mark a culmination of a long and extensive process of consultations at regional and global levels, it also presented a consensus in prioritizing a development agenda that a majority of Member States were already engaged with. Indeed, the culmination point of this process was very timely because it also coincided, on the part of UN-Habitat, with the adoption of the Medium-term Strategic and Institutional Plan, which, among other issues, underlined the need for

strong local responses and capacities for the purposes of attaining sustainable urbanization.

58. Since the approval of the guidelines, UN-Habitat has been working closely with Habitat Agenda partners to provide support to interested Member States in undertaking policy and institutional reform. Two meetings of the Advisory Group of Experts on Decentralization were convened in 2008 in India and Norway to develop a strategic framework for launching support services for the implementation of the guidelines.

59. The resulting strategy for the implementation of the guidelines consists of four major components that build on existing programmes and activities. These include:

(a) Advocacy and norm-setting;

(b) Capacity-building and institutional development;

(c) Networking and synergy building with key stakeholders;

(d) Monitoring and assessment.

60. One example of the application of the guidelines is ongoing in Iraq, where UN-Habitat, working together with other United Nations agencies, is supporting the implementation of the "local area development" programme and the development of decentralized housing strategies for three governorates. The local area development programme focuses on localizing target-setting for attaining the Millennium Development Goals. Training and capacity-building are currently ongoing in strengthening the capacity at the governorate level to implement the programme and the housing strategies. In a similar initiative, UN-Habitat worked with the United Nations Children's Fund in carrying out a comprehensive review and refinement of laws, policies, programmes and delivery capacities in the solid waste management sector. The review has led to a follow-up programme to build capacity for decentralized solid waste management practices.

B. Guidelines for access to basic services

61. The Governing Council endorsed, in its resolution 21/4, the proposal by UN-Habitat to initiate consultations for the formulation and adoption of a similar set of guidelines for "access to basic services for all". This represents a major step forward in combining a partnership approach with a rights-based approach in support of the attainment of internationally agreed development goals on health, nutrition, disease prevention, access to water and sanitation and other basic services. Draft guidelines were prepared in close consultation with the United Nations Institute for Training and Research, the International Labour Organization, the United Nations Development Programme, the Office of the United Nations High Commissioner for Human Rights, the United Nations Educational, Scientific and Cultural Organization, the World Health Organization (WHO), and other relevant partners including the World Bank and United Cities and Local Governments. The draft guidelines will be further discussed by partners with a draft set of indicators at the fourth session of the World Urban Forum, prior to consultations with Member States.

62. The provision of basic services depends, however, to a large degree on the capacity of local authorities to deliver the services directly or to regulate their

delivery and provision by service providers. In all cases, financial management is required to ensure cost recovery and to mobilize resources for expansion and maintenance. An interesting case has been the example of putting in place such a system in war-torn Somalia.

C. Financial management tools, the example of north-west Somalia

63. UN-Habitat has been actively involved in building the capacities of municipal finance departments and establishing improved systems for public sector accounting and revenue collection by local authorities and water utilities in north-west Somalia. The approach links local economic development with land management, allowing for improved services based on increased municipal revenue from land and property taxes.

64. A geographical information system was used to establish a property database from a comprehensive property inventory carried out in Hargeisa in 2004 and 2005. The urban land information database was subsequently used to develop a computerized property taxation system. Municipal property tax invoices are now being prepared from this system. The implementation of the interlinked property database and automated taxation system resulted in a remarkable rise in municipal property tax revenue in Hargeisa, thus enabling the local authority to improve service delivery through a number of capital investment projects financed directly from municipal income. Improvements include the paving of roads, upgrading public markets, streetlights and refuse removal. In 2007, similar property surveys were carried out in Boroma and Berbera, with the aim of achieving enhanced municipal revenue collection and improved service delivery in 2008 and 2009.

65. The success of the initiative in Hargeisa led to similar initiatives in six other municipalities. Training courses in accounting and financial management were undertaken throughout 2006 and 2007, which led to improved revenue collection and service delivery in Burao, Gebiley, Boroma, Berbera, Erigavo and Laas Caanood.

66. In 2008, following a ministerial request, accounting and information management systems will be established in the Ministry of the Interior, the Magistrate of Accounts, and the Hargeisa Water Agency. UN-Habitat also envisages a fully fledged capacity-building intervention for the period 2009-2010, to be aligned with the United Nations Joint Programme on local governance and decentralized service delivery.

D. Attaining the health targets of the Millennium Development Goals

67. Research conducted by WHO and the United Nations Population Fund have reaffirmed the findings of UN-Habitat that health in urban settings in rapidly urbanizing countries is determined more by living conditions than by income. These conditions, known as the social determinants of health, are directly related to the prevailing conditions found in slums such as overcrowding, lack of access to water and sanitation and other basic services. [1]

68. These and other findings resulted in the appointment of the Executive Director of UN-Habitat to the WHO Commission on the Social Determinants of Health. The

WHO Kobe Centre, which hosts the Knowledge Network on Urban Settings, provides the technical inputs to this Commission.

69. Several meetings between UN-Habitat and WHO have resulted in a framework for collaboration focusing on: (a) generating evidence on urban health inequities; (b) setting up urban thematic groups at the national level; (c) establishing a city-to-city learning facility on urban health; and (d) working jointly towards a global forum on urban health in 2010.

70. A technical meeting was convened in Kobe, Japan, in July 2008, bringing together staff of UN-Habitat, the WHO Kobe Centre, WHO regional advisers, and partner institutions such as the United States Agency for International Development, research institutions and health NGOs. A strategic plan was developed with a view to organizing the World Health Forum to be convened in partnership with WHO in Kobe municipality in September and October 2010. The Forum will jointly celebrate World Health Day and World Habitat Day to promote the urban health agenda. The event will be marked by the release of a report on global urban health that will highlight the specific challenges of urban health in rapidly urbanizing countries.

E. Training, human resources development and knowledge generation

71. The International Urban Training Centre was officially launched by the Province of Gangwon, Republic of Korea, and UN-Habitat in 2008. The Centre is dedicated to training and capacity-building targeted at municipal authorities and their partners. The Centre was established to build the capacity of cities and towns nationally and in the Asian and Pacific region in support of the goal of sustainable urbanization. It aims to bridge the knowledge gap between academia, local and central Government by facilitating communication, professional networking, learning and exchange of information within Korea and at the international level. UN-Habitat supports the Centre primarily in the design and implementation of international training courses, the development of training material and the forging of partnerships with similar training institutions. UN-Habitat, the Institute for Housing and Urban Development Studies and the Centre joined forces to offer a first training course on strategic approaches to sustainable urbanization for city leaders and managers in the Asia-Pacific region.

72. The first edition of a two-week training course for mid-career professionals on sustainable communities was successfully completed in Helsinki. The course was organized jointly between Helsinki University of Technology, UN-Habitat and UNEP, and was funded by the Government of Finland. Key course topics included good governance for sustainable communities; risk and vulnerability reduction; and urban planning for sustainability. The Asian Institute of Technology in Bangkok and the University of Nairobi were identified as course venues for the coming two years. The course contributes to the implementation of the new strategic vision of UN-Habitat, through the preparation of reusable curricula to support education for sustainable urbanization.

73. In November 2007, UN-HABITAT organized and hosted an Expert Group Meeting on Cities in Climate Change in Nairobi, bringing together more than 50 participants from research institutions, local authorities, the private sector, and colleagues from different United Nations agencies. Based on the results of the meeting, UN-Habitat developed a global sustainable urban development network

with the start-up component initiative on cities in climate change. The initiative will focus on enhancing the adaptive capabilities and responsiveness of local government to the challenges of climate change by supporting the improvement of governance structures, promoting the participation of civil society, testing innovative financing and investment mechanisms, sustainable construction and building materials, and designing and implementing strategies and concrete action plans.

74. UN-Habitat has been supporting numerous normative and operational activities aimed at assisting Governments, local authorities and local communities to achieve the Millennium Development Goals, mainly target 10. The support is packaged in two programmes, the "Basic Urban Services" programme and the "Sustainable Urban Mobility" programme. UN-Habitat is currently facilitating the implementation of demonstration projects in 10 countries affecting over half a million people. A major area of focus is the documentation and dissemination of the experiences and lessons learned to support replication in other cities and countries.

75. *Participatory Budgeting in Africa: A Training Companion*[1] has been finalized and is available in English and French versions. The training companion has been designed as a campaign tool for innovative local governance, and to build capacity of local facilitators and decision-makers to carry out a participatory budgeting process in their respective localities. A trainer's guide for local economic development series has also been developed to assist trainers in the design and delivery of training workshops based on the *Local Economic Development Series*.[1] A gender equity and equality sourcebook[1] for local government training has been produced. The sourcebook covers a wide range of gender issues in local governments such as women's participation in local governments, land rights, urban planning, and gender-responsive budget initiatives.

76. In the course of 2007-2008 some 20 subregional training events involving over 600 participants were implemented in collaboration with national training institutions in Tanzania, Lesotho, Egypt, Rwanda, Haiti, Palestine and India. A regional "training of trainers" event was held in Asia on localizing the Millennium Development Goals through innovative leadership and community empowerment. Training on financial management and leadership also took place in the South Pacific region. In Africa, a regional workshop on participatory budgeting was held for eight countries.

77. UN-Habitat initiated in 2007 web-based distance learning as a tool to deliver training and capacity-building courses. The key objective is to compliment existing face-to-face training activities to generate wider delivery impact and to reduce direct costs related to training. A first course on key competencies for local elected leadership is now online and is being administered as part of the UN-Habitat's *Local Elected Leadership Series*.[1] UN-Habitat plans to expand online courses in the future covering different thematic areas that support sustainable urbanization in line with its Medium-term Strategic and Institutional Plan.

78. UN-Habitat partnered with the Simon Fraser University of Canada to deliver a course on strategic planning for sustainable community economic development. The interactive course on promoting local economic development through strategic

[1] See www.unhabitat.org.

planning was recognized by the Canadian Institute of Planners and EcoPlan International, which awarded it for excellence in local economic development.

VI. Contributing to more effective post-disaster and post-crisis relief, recovery and reconstruction

79. In May 2008, the Executive Director of UN-Habitat was invited by the Emergency Relief Coordinator and Under-Secretary-General for Humanitarian Affairs to become a Principal in the Inter-Agency Standing Committee.

80. This invitation provides a positive conclusion to recommendations by the Secretary-General in his reports to the General Assembly since 2005 urging the Inter-Agency Standing Committee to include UN-Habitat in its membership.

81. Following its June 2008 meeting, where UN-Habitat was warmly welcomed by the Chair and other members, the IASC working group expressed its interest in exploring the humanitarian dimensions of the challenges associated with rapid urbanization.

82. UN-Habitat fielded a large team of experts from its programme in Pakistan, to assist the Government of China and the United Nations country team in their efforts to recover from the devastating earthquake in Sichuan Province that occurred in May 2008. The lessons learned from a decade of UN-Habitat involvement in post-disaster recovery and reconstruction are most evident in its strategy for the people's process for recovery and reconstruction.

A. UN-Habitat support for the people's process for seamless recovery

83. In response to calls by Member States to assist people in reconstruction following conflicts and disasters, UN-Habitat has been implementing an approach whereby affected populations are placed at the centre of the recovery and reconstruction process. This process has proven to be effective in several post-disaster situations. It is characterized by an approach whereby the people who are directly affected by disasters are empowered to be equal partners with governmental authorities in the process of rebuilding their homes and livelihoods.

84. The people's recovery process is a seamless process between disaster relief and recovery. Relief and recovery start at the same time. It is an incremental process whereby families start by erecting emergency shelter in such a way that their immediate needs are integrated with their future needs for reconstruction and recovery. Technical advice in planning, building and construction is provided to ensure that reconstruction complies with acceptable standards for risk abatement.

85. In the Asia and Pacific region, the people's recovery process has been implemented in a number of countries, including Afghanistan, Indonesia, Maldives, Sri Lanka and Pakistan. For the Indian Ocean tsunami disaster-related projects in Sri Lanka, 4,000 families have so far completed their homes and a similar number of homes are under construction. In Pakistan, the process has contributed to the reconstruction of 600,000 housing units in the earthquake-affected areas. A key component of the process has been the training of over 55,000 engineers, masons and homeowners to participate effectively in "building back better".

86. In Afghanistan, through the post-conflict national solidarity programme, a similar process has been implemented in 3,300 villages in 9 provinces to facilitate community reconstruction and housing.

87. In August 2008, UN-Habitat successfully concluded its joint agreement with the International Federation of Red Cross and Red Crescent Societies (IFRC), providing support to the emergency shelter cluster, and to establish a shelter recovery coordination function within the early recovery cluster in Myanmar. This pilot activity, pairing the emergency shelter response capacity of IFRC with the shelter reconstruction expertise of UN-Habitat, is the basis for a longer-term partnership between the two agencies to ensure a smooth transition from emergency relief to sustainable reconstruction.

88. In 2007, UN-Habitat, in collaboration with an inter-agency group, provided support to upgrade five of the poorest settlements of internally displaced persons in Bossaso, Somalia, assisted in the reconstruction of the tsunami-damaged town of Xaafuun, and helped re-establish the provision of shelter and basic services in the cities of Garowe and Hargeisa. These interventions have helped over 50,000 internally displaced persons to regain a permanent home, to access basic services and to begin to restore their livelihoods. A key strategy that has been used across many different projects funded by different donors has been, wherever possible, to train people, especially women, among the refugees and internally displaced persons (IDPs) to undertake the work under community contracting frameworks. This not only provides a strong sense of ownership of the process of reconstruction leading to local governance structures and systems, it also helps restore local economic development and provides marketable skills for income-earning opportunities for the future.

89. Responding to requests from the Inter-Agency Standing Committee protection cluster in Geneva, UN-Habitat fielded several missions to the Democratic Republic of the Congo. These missions were able to ascertain the obstacles that have prevented refugees and IDPs from returning to their communities of origin. These obstacles are owed primarily to unresolved land and property loss. Subsequently, a new programme has been developed with seed funding from the Office of the United Nations High Commissioner for Refugees (UNHCR) to establish support and coordination on matters related to conflict and dispute over land and property loss, land restitution, and longer-term land administration capacity-building. The first teams will be deployed in September 2008 to Goma and Kinshasa.

90. UN-Habitat had embarked on the development of a series of tools and guidelines on behalf of the IASC global cluster system addressing post-disaster shelter options, post-disaster land administration guidelines and tools, and post-conflict land tenure guidelines and toolkit. These will be published and distributed through the Inter-Agency Standing Committee housing, land and property working group, led by UN-Habitat.

VII. Financial and budgetary matters

91. During 2007, the organization maintained its positive trend in voluntary contributions. The total amount received (including inter-organizational contributions), reached an all time high of US$ 153.3 million. Of the total income received, US$ 17.6 million accounted for non-earmarked contributions from 36

Governments and US$ 135.7 million for earmarked contributions from 33 Governments and inter-governmental donors, other public donors and United Nations agencies towards normative and technical cooperation activities at the country level.

92. In addition, there was a marked increase in the level of non-earmarked contributions by over 70 per cent from US$ 10.2 million received in 2006 to US$ 17.6 million in 2007, coinciding with the first UN-Habitat donor meeting held in Oslo in February 2007 and the approval of the Medium-term Strategic and Institutional Plan during the session of the Governing Council held in April 2007. However, the imbalance between the non-earmarked and earmarked contributions remains a challenge and will be addressed during the forthcoming UN-Habitat donor meeting in Seville, Spain. Clearly, non-earmarked contributions are more compatible with the need for the organization to implement a focused and prioritized work programme, and to manage its financial resources on the basis of predictable and stable income.

93. The aggressive fund-raising of the organization to capitalize its trust funds and programmes has continued to yield positive results. At the end of 2007, multi-year agreements had been signed with various donors totalling US$ 79 million towards the Water and Sanitation Trust Fund, US$ 8.4 million towards the Special Human Settlements Programme for the Palestine People and US$ 20.4 million towards the Slum Upgrading Facility. An increase in the level of funding towards technical cooperation trust funds was also acknowledged.

94. Following the approval of experimental reimbursable seeding operations by the Governing Council at its twenty-first session, in April 2008, an initial contribution of US$ 2.9 million had been received for experimental reimbursable seeding operations as at 31 December 2007.

95. The implementation of the resource mobilization and communication strategy as part of the Medium-term Strategic and Institutional Plan will seek to consolidate and broaden the donor base, to improve the balance between the general purpose and special purpose contributions on a predictable multi-year basis, to partner and leverage resources along the established thematic focus areas of the Medium-term Strategic and Institutional Plan, to strengthen the pre-investment role of the organization by mobilizing international and domestic investment for going to scale in slum upgrading and slum prevention and tapping non-conventional sources of funding. In this regard, adoption of the principle of assessed voluntary indicative scale of contributions would facilitate the mobilization of resources and broadening of donor base.

96. Although regular budget contributions constitute only 7 per cent of its total contributions, UN-Habitat relies on these contributions as they facilitate the effective implementation of a cohesive, prioritized work programme by providing the basic operating infrastructure of the organization and by funding critical normative activities of the work programme for which earmarked funding is not imminent. An increase in the regular budget resources of UN-Habitat and the United Nations Office at Nairobi, which remain relatively low, will be requested in the forthcoming budget submission to the Secretary-General for the biennium 2010-2011.

97. UN-Habitat is in the process of preparing a results-based consolidated budget for the biennium 2010-2011.

VIII. Conclusions and recommendations

98. **Global trends and issues, including climate change and the recent rise in food and fuel prices, have highlighted the importance of the Habitat Agenda in addressing some of the underlying causes and in mitigating their social, economic and environmental consequences. Rapid urbanization and poorly planned urban development are at the heart of the matter, which pose some important challenges, yet also provides some unique opportunities. The UN-Habitat Medium-term Strategic and Institutional Plan is well poised to help Member States seize these opportunities. Its sharp focus on socially inclusive housing and environmentally sound and participatory urban development provides a solid blueprint for attaining the internationally agreed development goals for half of the world population, which is now living in cities. The plan also represents a concerted catalytic and partnership approach designed to leverage public and private investments for affordable housing and basic infrastructure and services through the use of innovative financing mechanisms that leverage the efforts of people with public expenditures and the resources of the marketplace.**

99. **The implementation of the plan spans six years. However, the start-up period is critical to this process. The experimental reimbursable seeding operations will take place simultaneously and over a similar period of time. Together, the Medium-term Strategic and Institutional Plan and experimental reimbursable seeding operations represent a bold attempt by the international community to come up with a truly concerted and focused approach to supporting the implementation of the Habitat Agenda.**

100. **Most of the elements are already in place and others are in the pipeline. These elements include the normative instruments and guidelines that have been recently adopted and applied, lessons learned from over two decades of experience in the coordinated implementation of the Habitat Agenda, and rising awareness on behalf of Member States of the need to combine pro-poor policies with good governance.**

101. **During this critical period that is characterized by innovation and matched by commitment to institutional reform, it is important that the resource base of UN-Habitat be broadened and commensurate with recent decisions and recommendations of the Governing Council and the General Assembly.**

102. **The Human Settlements Foundation offers a unique opportunity for Member States to reduce urban poverty. Members States in a position to invest in the Foundation will be part of an important exercise in innovation and partnership, helping to set precedents from which other institutions can learn and build upon. Contributions to the Foundation will help local actors create new instruments for affordable housing and urban infrastructure. Voluntary contributions of Member States will enable local partners to combine grants for technical assistance with reimbursable seeding operations. In this regard, the**

adoption of the principle of assessed voluntary indicative scale of contributions would facilitate mobilization of resources and broadening of donor base.

103. **Governments in a position to do so and other public and private entities are encouraged to contribute to the capitalization of UN-Habitat and the Human Settlements Foundation as an effective means of providing financial and seed capital support to slum upgrading, slum prevention and pro-poor water and sanitation in urban areas.**